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Message Text

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PAGE 01 STATE 226521

42
ORIGIN OPIC-12

INFO OCT-01 EA-11 ISO-00 EB-11 SCEM-02 COME-00 OMB-01 L-03

PRS-01 AID-20 TRSE-00 INT-08 STR-08 CEA-02 SPC-03

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66604
DRAFTED BY OPIC/ID/NEA:AMKRAMISH
APPROVED BY EB/IFD/OIA:MCKENNEDY
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EA/IMS:ADORNHEIM
---------- 014450
R 161544Z NOV 73
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

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E.O. 11652: N/A
TAGS: EFIN, ID
SUBJECT: CHANGES IN INDONESIAN INVESTMENT CLIMATE: OPIC
CONCERN: P. T. NICKEL

REF: JAKARTA 13305

1. OPIC IS CONCERNED RE IMPLICATIONS OF CHANGES IN INDO-
NESIAN INVESTMENT CLIMATE (REF) ON PENDING INSURANCE AND
FINANCE APPLICATION COVERING PROPOSED INVESTMENTS IN P.T.
NICKEL. INITIAL PRELIMINARY EVALUATION OF PROJECT DISCLOSES
THAT RETURNS TO THE GOI OVER A PERIOD OF YEARS FOLLOWING
PROJECT COMPLETION ARE MINIMAL DUE TO (1) ABSENCE OF INDO-
NESIAN PARTICIPATION AT THE OUTSET, AND (2) A TAX MORATORIUM
WHICH, IN TURN, RESULTS IN LOSS CARRY FORWARD THROUGH 1985
WHEN FIRST TAXES WILL BE PAID.

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PAGE 02 STATE 226521

2. IN RECENT DISCUSSIONS ON THESE POINTS, INVESTORS HAVE

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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STRESSED THE IMPORTANCE OF EVALUATING THE PROJECT IN THE LIGHT OF (1) THE EXTENT OF RISKS UNDERTAKEN DURING AN EARLIER AND LESS PROMISING PERIOD, (2) THE NATURE OF THE PROJECT ITSELF WHICH INVOLVES NOT ONLY MINERALS EXTRACTION BUT ALSO FINAL PROCESSRNG IN INDONESIA, (3) THE LONG-TERM IMPLICATIONS FOR INDONESIA WHICH WOULD BECOME A LEADING EXPORTER OF REFINED NICKEL, AND (4) THE RELATIVELY MODERATE PROFIT EXPECTATIONS DESPITE THE MORE GENEROUS CONCESSIONS PROVIDED BY THE GOI IN THE SECOND AS OPPOSED TO LATER GENERATION CONTRACTS.

3. BASED ON RECENT DEVELOPMENTS, OPIC WOULD MOST APPRECIATE YOUR ESTIMATE OF THE LIKELIHOOD THAT THE GOI WILL SEEK TO (1) RENEGOTIATE CONCESSIONS OVER THE SHORT AND LONG-TERM AND (2) A GREATER SHARE IN THE FOREIGN ENTERPRISE THAN IS NOW PROVIDED. OPIC WISHES TO ANTICIPATE MAJOR POTENTIAL PROBLEM AREAS AND, WHERE POSSIBLE, PROVIDE THEREFOR SHOULD THE DECISION BE MADE TO PROVIDE FINANCE AND/OR INSURANCE TO THE PROJECT.

4. U.S. AND OTHER INVESTORS EXPECT TO MEET WITH OPIC ON NOV. 28, 1973 TO REVIEW PRESENT STATUS FINANCIAL AND OTHER PROJECT-RELATED MATTERS. OPIC WOULD APPRECIATE RECEIVING YOUR VIEWS ON THE PROJECT PRIOR TO THAT MEETING. IMPORTANT THAT DISCUSSION ISSUES RAISED IN THIS MESSAGE BE LIMITED TO OFFICIAL U.S. CHANNELS. RUSH

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EO Systematic Review
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